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Support has been provided by the Association of Dairy Processors in Bulgaria, National Vine and Wine Chamber, Association of Meat Processing Enterprises in Bulgaria, Union of Canned Product Producers in Bulgaria, Union of Vegetable Oil and Oil Product Producers in Bulgaria.

Parts about the potential investment opportunities of the Bulgarian food sector have been also included from the report of the Netherlands Economic Institute (NEI B.V.), produced in March 2001 under PHARE BG 9805-01-01-03.



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BULGARIA - A PROFITABLE BUSINESS LOCATION

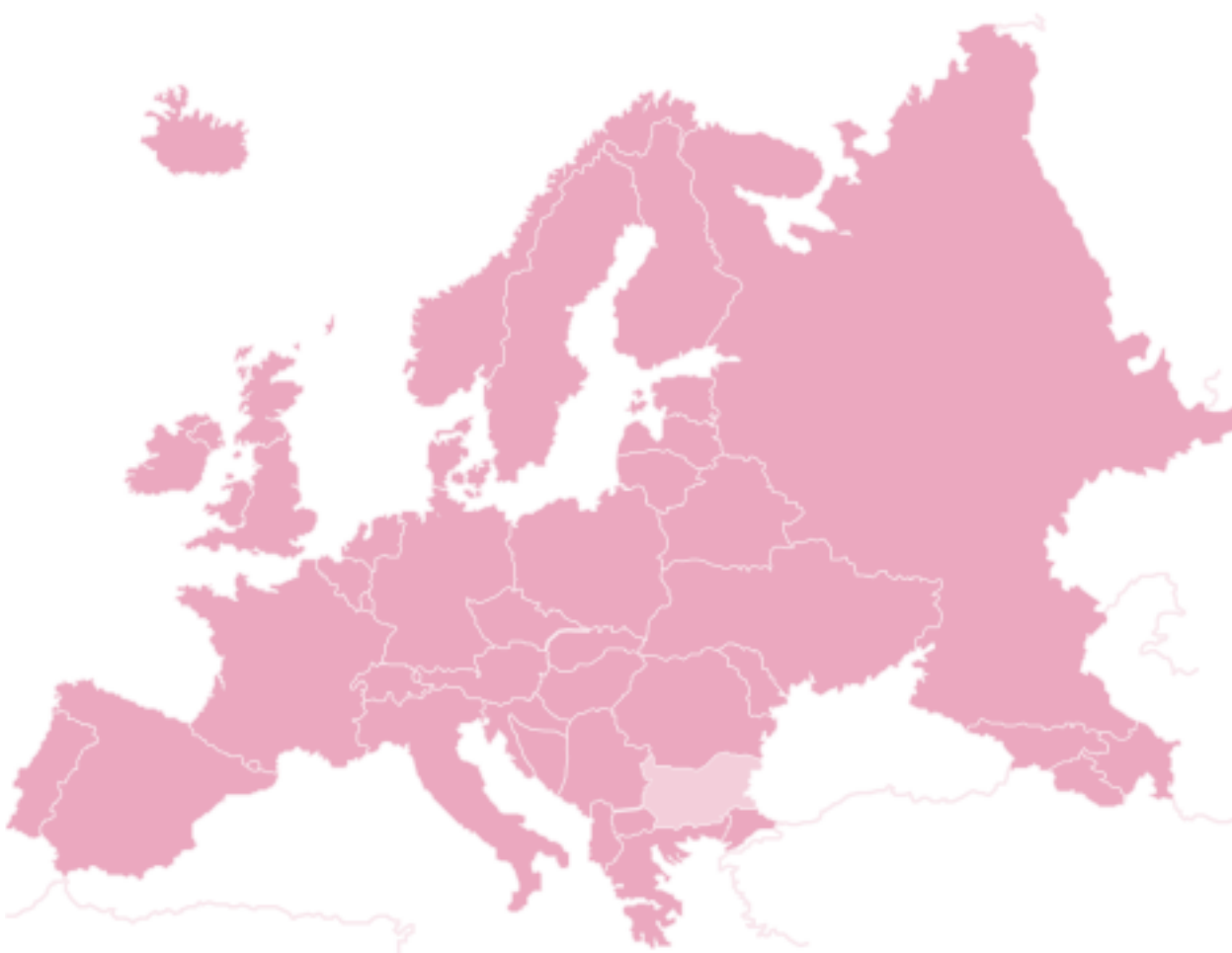
Here in Bulgaria, we appreciate that foreign investors are interested in generating *higher profits* by:

- gaining more customers and increasing *sales* volumes
- reducing costs and increasing *margins*
- improving *products* and gaining a *competitive advantage*.

Bulgaria offers potential investors in the Food Processing industry the opportunity to achieve all of these things.

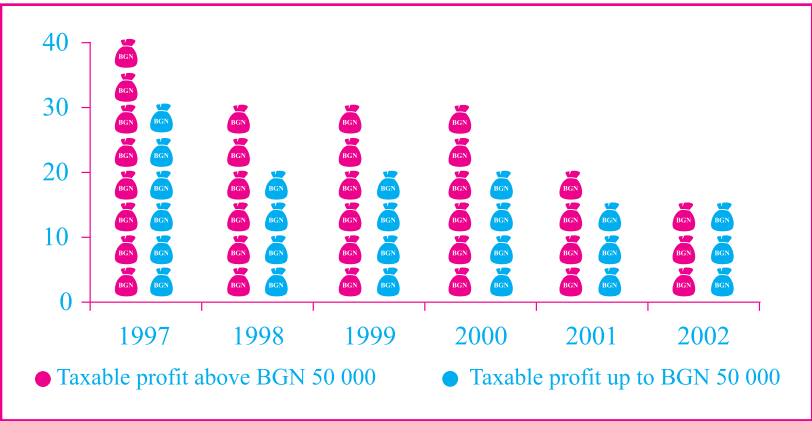
As far as the market is concerned, Bulgaria is situated at the crossroads of Southeast Europe (see map) and, as such, Food Processing companies which invest in Bulgaria gain easier access to a market in Southeast Europe that:

- encompasses more than 135 million consumers
- is expected to grow at a significant rate over the next five years
- is still underdeveloped and, as such, offers early investors an opportunity gain market share and establish a presence in the area before their competitors
- has excellent links to wider European and world markets (using road corridors to Greece and Central Europe for exports, plus shipping routes to the rest of the world from Bourgas and Varna)
- provides a base for supplying neighbouring markets in Eastern Europe.



As far as Food Processing sector costs are concerned, Bulgaria possesses:

- a low cost, available labour force that can be easily trained and a government that is committed to policies aimed at motivating and training potential employees, increasing productivity and reforming labour law, where necessary, to enhance Bulgaria's international competitiveness
- low land and property costs
- good logistic connections to markets in Southeast Europe and beyond
- a low cost corporate tax regime where corporation taxes are reduced to a flat rate of 15% as of 1 January 2002



Source: BFIA

- a wide network of local sub-contractors and local suppliers of fiber, thread and fabrics, most of which have many years' experience of working in the textile business.

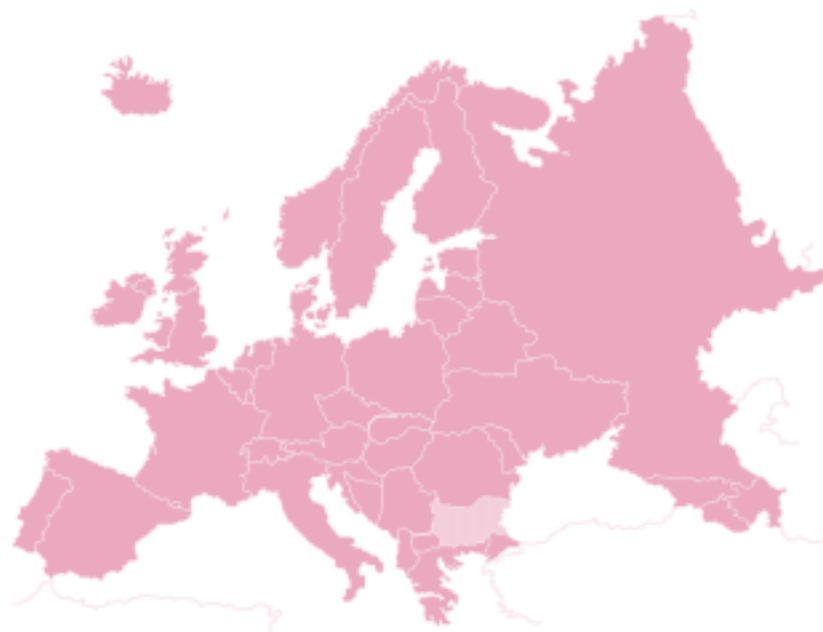
As for know-how is concerned, Bulgaria possesses:

- a long track record of producing high quality food from natural ingredients.
- a high quality labour force
- a network of high schools and technical colleges specialised in the food processing industry, to train people in the skills needed by modern food processing businesses
- a desire to work with foreign investors, where necessary, to improve know-how within the Bulgarian food processing sector.

In addition to these general factors, there are many other reasons why companies in the Food Processing sector should consider Bulgaria as an investment location. These include the following:

- a favourable climate for crop production and the availability of agricultural land
- low labour costs
- good quality natural products suitable for export
- experience of mass production processes in the food industry
- Opportunities exist for the creation of total production chains based on modern production and management principles, tuned to an ever-evolving market situation.
- By introducing organisational changes and best practice there is a big scope for productivity improvements that could lead to extremely low unit costs.
- Gradual re-opening of Russian trade links through bilateral (political) agreements between Russia and Bulgaria could provide access to a large future market for food products made in Bulgaria.
- Opportunities exist to produce and export specialist food products to the EU-countries, with a focus on specific ethnic groups from Turkey, the Balkan and North African countries.
- The country is safe and progressing to west European standards in services and infrastructures. Roads are reasonably good between the major cities such as Sofia, Plodiv, Varna, Bourgas, Blagoevgrad, etc.
- Opportunities for the take-over of existing companies exist, although this will necessarily imply further investments in capital, technology and know-how.
- Opportunities in Greenfield investments are significant, thereby offering investors a unique opportunity to take advantage of Bulgaria as both a source of low cost production with a relatively skilled labour force.

BULGARIA - THE MANUFACTURING AND TRADING CENTRE OF SOUTHEAST EUROPE



location	• in the centre of Southeast Europe
neighbouring countries	• Greece, Turkey, Macedonia, Serbia, Romania
territory	• 110,912 sq. km
population	• 7.97 million ¹
capital	• Sofia, 1.2 m people
major cities	• Plovdiv, Varna and Bourgas
official language	• Bulgarian
foreign languages used in business	• English, German, Russian and French

Good transport links exist between Greece and Turkey to the South, as well as Romania and Serbia to the North.

Easy Movement of Goods

No customs duties are charged for exported goods. The Customs Law is based on the EU Customs Code and the Bulgarian Customs Tariff is based on the international Harmonized Commodity Description and Coding System, and on the EU Combined Nomenclature. The customs clearance of goods requires the presentation of a customs declaration, similar to the EU Single Administrative Document, accompanied by the required commercial documents (invoice, certificate of origin, transport document or any other relevant official papers).

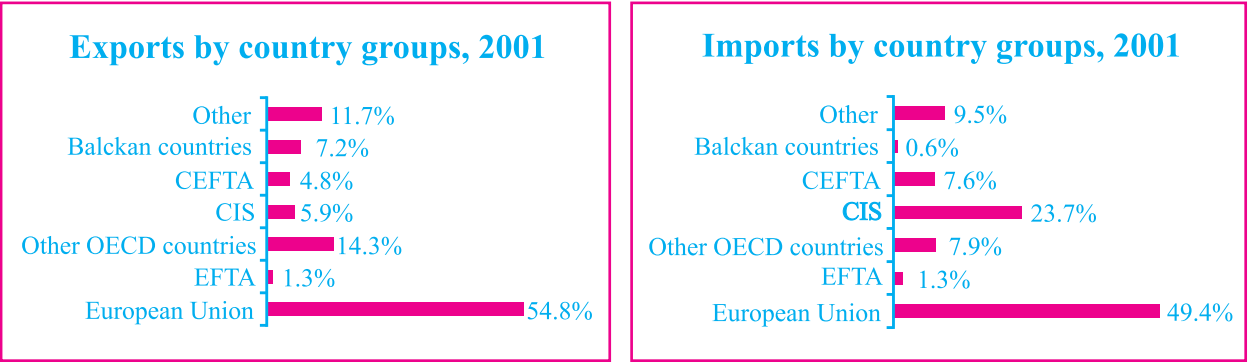
With regard to the import of industrial goods, the average tariff rate is 8.51% for imports from countries treated according to the Most Favoured Nation principle.

Since 1 January 2002 trade in industrial good between Bulgaria and the EU, EFTA, CEFTA countries and Turkey is duty-free.

Bulgaria has traditionally had excellent trading relationships with other Eastern European countries and consequently is an ideal location for companies wishing to sell goods into the Eastern European market.

Structure of foreign trade by regions

The EU countries have traditionally been the major market for Bulgarian products followed by the CIS and Baltic countries.

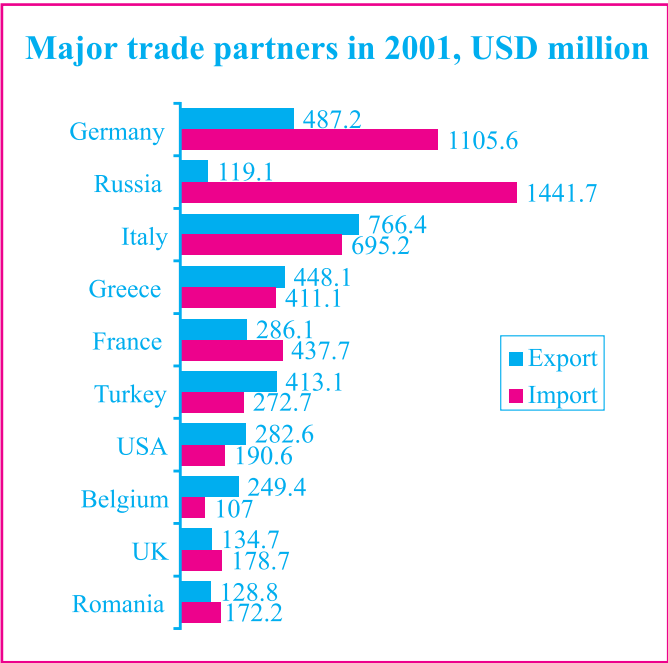


Source: Bulgarian National Bank

- Other OECD countries include Australia, Canada, New Zealand, USA, Turkey and Japan.
- Balkan countries include Macedonia, Croatia, Albania, Yugoslavia, Bosnia and Herzegovina.

Major trade partners

- The largest trade partner within the EU is Germany, followed by Italy, Greece, France, Belgium and the UK.
- The main trading partners from CIS and Baltic countries group are Russia and Ukraine.
- From the non-European countries, the largest trade partner is the USA.



Source: BNB

Easy Movement of Capital

Bulgaria recognises that the ability to move capital in and out of Bulgaria is also a key issue for most investors. Consequently, after the introduction of a Currency Board on 1 July 1997, all constraints on the trade of hard currency within the country were removed and the BGN was pegged to the DEM at the rate of BGN 1 per DEM 1. At the beginning of year 2002 the BGN was pegged to the EUR at a rate EUR 1 to BGN 1.95583.

Each local or foreign person may own an unlimited number of accounts in any currency, in any bank in or outside Bulgaria.

In 1999, Bulgaria replaced its outdated and fragmented foreign currency legislation and liberalized the current international transactions in line with the IMF article VIII obligations. The foreign exchange regime is now based on the principle of freedom of concluding transactions, actions and payments.

Bulgarian citizens as well as foreigners may take Bulgarian Leva and foreign currency of up to BGN 20,000 or its foreign exchange equivalent out of the country without documentation. However, the export between BGN 5,001 and BGN 20,000 or its foreign exchange equivalent should be declared at the customs.

Transfers above BGN 20,000 must have a prior approval of the Bulgarian National Bank. Foreigners are permitted to export as much currency over the foreign currency equivalent of BGN 20,000 as they have imported into Bulgaria without prior approval.

Payments abroad made by businesses (or self-employed business people) can be executed only through bank transfers. Transfers over BGN 20,000, for current international payments (imports of goods and services, transportation, interest and principal payments, insurance, training, medical treatment and other purposes defined by the Bulgarian regulations), must be supported by documentation showing the need and purpose of such payments. Under the Law on Foreign Investment, there are no restrictions on the transfer of investment-related funds.

Excellent Business Locations

Finally, when it comes to deciding where to locate a new business in Bulgaria, consideration should be given to the six Duty-free zones (renamed "free zones" by the Law on Customs, January 1999) that exist in Bulgaria. These were established in 1987 and are located on strategic transport routes leading to the main international markets, namely in Vidin, Rousse, Dragoman, Svilengrad, Plovdiv and Bourgas. All of them are set up and provided with land and infrastructure by the state. A specially established joint stock company or a state owned company manages each zone.

BULGARIA

FOOD PROCESSING SECTOR OPPORTUNITIES

The Bulgarian Food Processing sector is mainly located in central and west Bulgaria, around the cities of Gabrovo, Sliven, Plovdiv and Sofia. The share of the food industry in Bulgaria's total GDP at current prices declines from 16% in 1997 to 14,5% in 1999. However, food industry has maintained a stable share during the last four years. In 1996 the food industry's share of total industry output was 19.2% and in 1999 the same indicator was 19.7%.

In recent years, foreign investment within the food-processing sector has mainly been attracted to the following sub-sectors:

- Vegetables and fruit
- Wine
- Dairy
- Meat and animal feed
- Vegetable oil
- Brewery
- Confectionary
- Tobacco

These investments have mainly come from Germany, France, The Netherlands, Belgium and Greece.

Bulgaria and especially the parts that already have a strong tradition in food production and food processing like south and south-east regions offer great opportunities for investors having the required know-how, to become a major producer and/or to develop a top-brand in Bulgaria.

Advantages of the Food Processing sector:

- Land may be bought and good agricultural areas are available.
- Relatively low-cost labour is available at various levels.
- The production is still based on traditional principles allowing for easy change to modern systems, whilst still assuring the supply of wholesome food for future requirements.
- EU Food legislation has been absorbed into the Bulgarian laws and changes have now been implemented in practice.
- Within Bulgaria there is a special EU support programme (the SAPARD program), providing for a 50% investment subsidy for investment projects in almost all agricultural sub-sectors to companies registered in Bulgaria, including with foreign participation.
- There are many opportunities for investors to buy production companies with an existing market share that are also capable of exporting their products to East-European and Arabic countries.
- There are opportunities for clusters of companies (or for small companies) to start business from the very small beginning in the primary and production sector
- Opportunities relating to the improvement of marketing and modern distribution practices also exist.

As one existing Dutch investor in the egg-consumption and feed production sector has said: "There are very good investment opportunities for go-getters and, the sooner the investment, the lower the amount."

BULGARIA

VEGETABLES AND FRUIT SUB-SECTOR

Bulgaria has a strong tradition in production and processing of a wide range of vegetables and fruit. Investment based on the introduction of modern marketing, growing, processing and distribution methods offers very good opportunities for investors with experience in this branch.

Some relevant past production figures are shown below for key crops in this sub-sector:

Vegetables

Year	Crops, '000 t	Area planted, '000 ha
1994	1038	160.7
1995	1363	209.3
1996	938	152.7
1997	974	165.6
1998	1401	209.4
1999	1319	216.6

Potatoes

Year	Crops, '000 t	Area planted, '000 ha	Yields, kg/ha
1994	497	47.3	10507
1995	649	55.6	11673
1996	319	39.6	7524
1997	463	44.3	10373
1998	478	50.9	9366
1999	566	52.2	10827

Fruits

Year	Crops, '000 t	Area planted, '000 ha
1994	913	215.9
1995	1162	204.4
1996	1166	199.5
1997	1073	198.7
1998	734	218.0
1999	672	213.8

Source: NSI

Altogether, in this sub-sector there are 209 processing plants of which 147 ones are newly established. Major products are: canned (tins and jars) vegetables, peppers, fruit and special products preferred by central and east European and Arab people; (concentrated) fruit and tomato juices; fresh and dried mushrooms; herbs.

Investment Opportunities exist in relation to:

- The supply of low cost raw materials.
- Developing existing processing and export
- Organisation of the supply chain (vertical integration).
- Establishing a modern Mushroom growing plant in order to reduce the production costs and to meet established market demands (e.g. Germany).
- Producing special compost production for the mushroom industry (linked to the above).
- Improving the technology / equipment of the selected processing plants (canning).
- Increasing the export of canned products to countries with similar consumer preferences and to super-market chains in EU-countries, with a focus on specific ethnic groups (from Turkey, North African and the Balkan).
- Establishing or rehabilitation of orchards for peaches.
- Growing of conventional vegetables for the fresh markets (domestic and export).
- Growing new (for Bulgaria) varieties of vegetables for fresh (early) export to the EU.
- Selected growing of vegetables (in greenhouses) for export.
- Seed production.
- Nursery of plants and trees.
- Herbs growing (direct, fresh consumption and medicinal) meeting the requirements of EU purchasers.
- Cultivation of labor-intensive fruit and vegetables.
- Production and processing based on health principles (EKO).
- Controlled collection of natural (forest) fruit and vegetables for export such as blue berries, elderberries, chestnuts and wild mushrooms.

Leading Companies in the Vegetable and Fruit sub-sector

"Solvex MIRA" Jsc. - Novi Pazar	Contacts: Sofia; 84 V. Levski blvd. tel: +359 2 9818456, 9461262 e-mail: solvex@techno-link.com
"Storko,Pleven", Jsc.	Contacts: Pleven; 64 G.Kovachev Str. tel: +359 64 801135 fax: +359 64 801435 e-mail: sales@g-group.bg
"Konex Tiva" Jsc. - Sofia	Contacts: Sofia Metlichina poliana Str. tel: +359 2 9581965; fax: +359 2 9581569 e-mail: konex@mbox.cit.bg
"Plovdivska konserva" Jsc. - Plovdiv	Contacts: Plovdiv 1 Dunav Str. tel: +359 32 953172; fax: +359 32 953771 e-mail: philicon@rakusy.com
"VeMaS" Jsc. - Sliven	Contacts: Sliven tel: +359 44 2024; fax: +359 44 22939 e-mail: vemas@sl.bia-bg.com

These 5 companies have received a license for export of vegetable and fruit products to the European Union countries.

BULGARIA

DAIRY SUB-SECTOR

Bulgaria has a strong tradition in dairy production from sheep, cows and goats milk. However, as a result of privatization, the economic development of the sector is temporarily suffering from a preponderance of small-scale farming suited only to domestic production.

Figures relating to the amount of livestock in Bulgaria are shown below.

Livestock numbers,
'000 head

Year	Cows	Ewes
1990	609	4952
1994	351	2358
1995	371	2386
1996	358	2000
1997	389	2130
1998	389	2848
1999	424	2774
2000	434	2549
2001	419	2286

Source: NSI

In recent years, unfavourable price constraints, privatisation, the economic crisis in 1996/97 and difficulties in production have resulted in a decline in cattle production in all sectors except for goats. The number of goats is steadily growing from around 500,000 in 1989 to 1,000,000 in 1998. There are no large goat farms - all goats are reared by backyard farming.

Livestock production and productivity

Year	Milk, mln. litres	of which cows milk, mln. litres
1994	1420	1162
1995	1404	1130
1996	1390	1128
1997	1436	1161
1998	1588	1287
1999	1655	1348
2000	1656	1368

Source: NSI

The average annual productivity per cow is 3,105 litres, per sheep 50 litres and per goat 230 litres.

There are 495 dairy factories operational of which 450 ones are newly established. Four companies have been approved for export of sheep milks cheese to the EU. The duty free quote for the EU amounts to 5,500 MT.

Famous cheeses produced in Bulgaria are Kashkaval, White Cheese and Feta (using by ultra-filtration).

Investment Opportunities exist in relation to:

- the existence of good dairy plants exporting products with added value
- development of the primary dairy sector by improving the dairy herd, including cows, goats and sheep
- breeding farms for, cattle (milk production), goats and sheep (milk production)
- milking farms for cows and goats
- establishment of milk collection centres for cow, goat and sheep milk
- providing cooled transport to selected dairy processing plants
- improving the technology and thereby lowering the cost price of special cheeses
- developing the export market for cheese to new markets
- improving (dairy) marketing concepts for the domestic market.

Leading Companies in the Dairy sub-sector

Meggle Bulgaria	Contacts: 1000 Sofia 12-14 Ilianci blvd. tel: +359 2 9311087, 9310490
Milk Way Jsc., Nova Zagora	Contacts: 8900 Nova Zagora; tel: +359 457 22035, 22005 e-mail: milkway@infotel.bg
Iotovi Ltd, Sliven	Contacts: 8800 Sliven tel :+ 359 44 41283, 41365; fax: 41364 e-mail: iotovi@sl.bia-bg.com
Laktis-Montana Jsc.	Contacts: 3400 Montana; tel: +359 96 22283, 23916 e-mail: laktis_ltd@dir.bg
Bulgarikom-Bourgas Jsc.	Contacts: 8000 Bourgas; tel: +359 56 689148, 688172; fax: 689135

In November 2001 Bulgarian Yogurt Ltd., Kondov Ecoproducts Ltd., BG Fabrica 12 Ltd., Mlechna Promishlenost Ltd. and Philipopolis RK received a license for export of milk products to the European Union countries in Bulgaria.

BULGARIA

MEAT AND FEED SUB-SECTOR

Bulgaria also has a strong tradition on both a small and a large scale. Due to the recent developments in the economy however, small farms and small slaughterhouses that do not yet meet EU-standards have mainly replaced large-scale production.

However, the Bulgarian government has now implemented EU-legislation relating to the slaughter of animals. Consequently there is currently a need for investment in new approved slaughterhouses. Six poultry slaughterhouses have been approved for export to EU-countries but, as yet, there are no approved slaughterhouses for pork or beef. There are 3 slaughterhouses that have been approved for export of sheep meat to the EU.

In order to justify building of new, profitable slaughterhouses the supply of pigs meeting standards has to be more efficiently managed. There are also some broiler-slaughterhouses that suffer from lack of controlled supply. This need provides a further opportunity for investment.

The breeding, fattening and slaughtering of ducks is also popular in Bulgaria and duck-livers are exported to France.

The market for poultry meat and eggs is expected to grow, while the market for pork and beef has to be completely developed meeting the legislation and the requirements of the growing number of supermarket chains.

Existing feed-production has to be improved especially regarding recipes. There are 93 feed mills operational of which 47 ones newly established.

Figures relating to total livestock and livestock production in Bulgaria are shown below:

Livestock numbers, '000 heads

Year	Cattle	Cows	Pigs	Sows	Sheep	Ewes	Poultry	Hens
1990	1457	609	4187	392	7938	4952	27998	14044
1994	638	351	1986	219	3398	2358	19126	11632
1995	632	371	2140	234	3383	2386	18609	10615
1996	582	358	1500	157	3020	2000	16227	8957
1997	612	389	1480	183	2848	2130	14766	8524
1998	612	389	1480	183	2848	2130	14766	8524
1999	671	424	1721	201	2774	2058	15686	8896
2000	682	434	1512	171	2549	1947	14963	8304
2001	640	419	1144	137	2286	1758	14991	7883

Source: NSI

Livestock production and productivity

Year	Meat live weight '000 t	Of which: beef '000 t	Pork'000 t.	Poultry '000	Eggs mln.
1994	512	96	207	82	1751
1995	535	66	256	92	1955
1996	569	80	252	99	1734
1997	508	57	227	101	1583
1998	531	56	248	105	1690
1999	530	65	267	106	1650

Source: NSI

Audits carried out at 880 plants (slaughterhouses and meat processing plants) by the National Veterinary Medical Service (NVMS) resulted in the closure of 352 processing plants (195 permanently) and 23 illegal slaughterhouses and made recommendations for improvement to be made in 492 plants. This provides a great opportunity for investors to gain market share quickly by investing in the establishment of new modern facilities.

Investment Opportunities exist in relation to:

- meat production (especially high quality pork and also broilers and ducks)
- developing a primary sector for breeding that meets EU-classification. Establishing breeding farms for hogs, cows, goats and sheep (for milk production), and parent-stock for broilers
- establishing modern hatcheries for broilers
- fattening farms for hogs, calves and broilers
- construction of one or two slaughterhouses for pigs
- improving some existing meat processing plants
- starting up export to East European countries
- production of animal feed in combination with Meat, Eggs and Dairy production
- upgrading of one or two selected feed mills
- potential for exports to neighbouring countries.

Leading Companies in the Meat and Feed sub-sector

Meatproduction Ltd., Vratza	Contacts: 3000 Vratza; Ilinden Str.; tel: +359 92 55172, 55017 e-mail: mkvratza@bitex.com
Mekom Jsc., Silistra	Contacts: 7500 Silistra; Industrial zone West; tel: +359 86 22242, 27128
Boni Oborot Holding, Lovetch	Contacts: 5500 Lovetch; Bialo more Str.; tel: +359 68 25870, 23917 e-mail: bonimt@avtech.bg
Tandem- B Ltd., Sofia	Contacts: 1505 Sofia; Madrid Blvd. tel: +359 2 9461446, 9461454; fax: 9461366 e-mail: tandem-v@mail.bol.bg
Ken Ltd., Stara Zagora	Contacts: 6000 Stara Zagora; 48 Sava Silov Str.; tel: +359 42 41128; fax: 25277

In November 2001 "Mekom Ltd." and "Meatprocessing Vratza" received licenses for export of meat products to the European Union countries.

BULGARIA

VEGETABLE OIL SUB-SECTOR

As mentioned in previous sections, Bulgaria has a strong tradition in production and processing of a wide range of vegetables and fruit. This experience extends into the production of vegetable oils. Investment in modern marketing, growing, processing and distribution techniques would result in substantial business benefits.

The production of sun seed amounted to 610,000 MT in 1998 of which 180,000 MT was exported. The calculated total processing capacity is 250,000 to 300,000 MT of sun oil, while the actual in 1998 production amounted to 140,000 MT. The local consumption is 14,0 kg per person per year resulting in a domestic market of around 112,000 MT per annum. There is a good potential for locally produced sun-oil meeting the EU-quality level (hydrogenated), replacing imported oil.

There are 84 companies operational in this sub-sector, of which 70 ones are newly established companies.

Investment Opportunities exist in relation to:

- an increasing market for existing products (export) and new products such as margarine and hardened fats (domestic and export markets)
- establishing large-scale production facilities for sunflower of high yielding variety
- investing in existing oil processing companies to enable them to process higher yields at lower costs
- production of new products, like margarine, for the domestic market
- potential for new export sales.

Leading Companies in the Vegetable Oil sub-sector

Niva Jsc., Kostinbrod	Contacts: 2230 Kostinbrod; 2 Slavianska str.; tel: +359 721 2286
Biser Oliva Jsc., Stara Zagora	Contacts: 6000 Stara Zagora; tel: +359 42 600382, 600384 fax: +359 42 39678
Kaliakra AD, Dobritch,	Contacts: 9300 Dobritch; tel: +359 58 27623, 777201 fax: +359 58 27374
Zvezda Jsc., Dolna Metropolia	Contacts: 5855 Dolna Metropolia; tel: +359 64 38346 fax: +359 65 522384

BULGARIA

WINE SUB-SECTOR

Bulgaria has been a major wine producer for many years and currently a number of modern wineries export their products all over the world. However, some investment is needed in vineyards to plant modern grape varieties and to make use of modern technologies for cultivation and harvesting. This provides investors with an opportunity to invest in producing a traditional high quality Bulgarian product.

Land is still cheap but will get added value in the future and can easily be bought by foreigners.

Wine grape production:

Year	Crops, '000 t	Area planted, '000 ha	Yields, kg/ha
1994	380	103.0	3689
1995	499	99.8	5000
1996	520	97.4	5528
1997	495	97.1	5196
1998	319	101.8	3237
1999	306	99.8	3146

Source: NSI

There are 56 companies operational in this sub-sector, of which 12 ones are newly established.

Investment Opportunities exist in relation to:

- Introducing new methods and techniques that lead to improved quality, quantity, cost price and export potential.
- Improving the vineyards and extending the vineyard areas.
- Exploiting additional export markets
- Starting new vineyards with modern, high quality varieties on cheap land that can only appreciate in value.

Leading Companies in the Wine sub-sector

Domaine Estate Jsc.	Contacts: 1421 Sofia; 10 Jordan Milanov Str.; tel: +359 2 9630067; fax: 9630066, 9631249 e-mail: DBAD@mail.bol.bg
Vinex-Slavyantci Plc.	Contacts: 8460 Slavyanci; tel: +359 5571 2500, 2348; fax: 2217 e-mail: popov@vinexbg.com
LVK"Vinprom- Targovishte" Plc	Contacts: 7700 Targovishte; 8 "29 January" Blvd. tel: +359 601 64751; fax: 64206 e-mail: manager@lvk-vinprom.com
"Festa Holding"	Contacts: 8200 Pomorie; tel: +359 596 2302, 2306, 2351, 7003; fax: 6023 e-mail: office@bsgold.bg

These 4 companies have received licenses for export of wine to the European Union countries.

BULGARIA

ASSISTANCE FOR INVESTORS

Bulgaria welcomes all new foreign investment and is prepared to do as much as possible to support investors - before the investment decision is made, during the investment process and after the investment has been made.

With this in mind, the Bulgarian government has established the **Bulgaria Foreign Investment Agency** (BFIA). BFIA is a governmental body under the Council of Ministers responsible for co-ordination of the activities of the state institutions in the field of foreign investments and for the promotion of foreign investments in the country.

In addition to their normal investment services, BFIA is in a powerful position to co-ordinate all other government institutions' input to projects that are considered priority investments of national importance.

Tax Incentive for Investments in Depressed Regions

Foreign and domestic entities, investing in regions of unemployment exceeding 50% the country average for the previous 2 years, enjoy a reduction of the corporate income tax in case:

- The investment is in the form of acquisition, modernisation or reconstruction of tangible fixed assets such as buildings, equipment, transmitters, electricity transmitters, and telecommunication lines (assets depreciable at 4% per annum); and
- The funds for the investment are generated from the contributions made by shareholders for acquisition of new shares (including on incorporation) in the company making the investments.

The corporate tax is reduced by 10% of the amount of the share contributions used in the above manner. The compulsory insurance contributions effectively made in proportion to the new jobs created and the average annual personnel hired by the employers for the preceding year are also deducted from the financial result of the enterprise.

The sum for the reduction is accounted for as reserves and if greater than the corporate tax in the respective year, it can be used to reduce the corporate tax in the following five years.

BULGARIA'S SUCCESS IN ATTRACTING FDI² FLOWS

The transition of Bulgaria to a market economy began after 1990. Bulgaria has missed the period 1992-1996 when the developed countries extensively invested in the Czech Republic, Hungary, Poland and Slovenia and only 20% of the cumulative 1992-2000 FDI in Bulgaria had been attracted by the end of 1996 whereas, during this period Hungary and Slovenia had achieved 60% and 53% respectively.

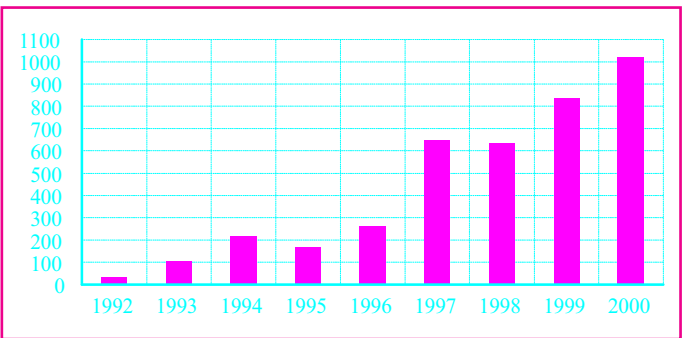
The period 1997-2001 was marked by a new dynamic development of the reform process in Bulgaria, currency board enforcement, financial stabilisation and a sharp rise in the foreign investments. This period accounts for 83 % of the total FDI inflow.

During 2000 for the 1st time FDI reached a level of over USD 1 bln.

The positive trend is expected to be maintained.

The EU countries account for more than 70% of the total FDI inflow. The top investors are Germany, Greece, Italy, Belgium, Austria and the USA.

Foreign direct investment inflows in Bulgaria by years in USD m.



Source: Bulgarian Foreign Investment Agency

REASONS FOR INVESTING IN BULGARIA

Bulgaria relies on the following main factors determining FDI generation:

stable socio-political environment	
macro-economic policies favorable for the business	<ul style="list-style-type: none"> stable exchange rates - Bulgarian Lev (BGN) is pegged to the EUR at a rate EUR 1 to BGN 1.95583 low inflation - CPI, end of 2000 - 11.3%, end of 2001 - 4.8%
supporting physical and service infrastructure	<ul style="list-style-type: none"> road networks and public utilities significantly improved for the last 5 years fast developing telecommunications - wireless Internet connections, first optic lines, 3 mobile operators, VOIP systems, etc.
favorable legal and regulatory environment for business	<ul style="list-style-type: none"> minimum number of bureaucratic regulations legal framework upholding private and intellectual property rights commercial laws conforming to the EU standards
independent judicial system	
competitive access to markets	<ul style="list-style-type: none"> Key EU markets within 2-3 days transport by road, improving transport connections though the Danube River and the Black Sea, flights from Central Europe lasting between 2 and 2.5 hours cost competitive access to the markets of the EU, EFTA, CEFTA, Turkey, Macedonia, Croatia, Israel and Estonia
availability of required inputs	<ul style="list-style-type: none"> high skilled and well educated work force Significantly lower labour cost than in Europe availability of land - foreigners can buy land by establishing or joining a Bulgarian company
pro-business fiscal policy	<ul style="list-style-type: none"> low corporate tax - 15% (The average rate for the EU is 32.53% for year 2002.) low personal income tax - 20-29% tax incentives for investments in depressed regions

According to the KPMG³ foreign investor survey findings , the principal reasons for investing in Bulgaria are:

• customer base in the region	42%
• former business contacts in Bulgaria	40%
• Bulgaria viewed as a promising, emerging market	38%
• strategic geographic location	36%
• relatively low labour and non-labour costs	36%
• skilled labour force	26%

³ KPMG: Survey of Foreign Investment (2000)

Domain Boyar AD

Domain Boyar is the first private Bulgarian wine company to be established since 1947, and is dedicated to the finest wine making traditions. **Domain Boyar** is committed not only to being the undisputed leading Bulgarian wine producer, but also to being an internationally recognized name as a fine wine maker.

Thanks to the huge investment in the **Domain Boyar Yambol** and **Shumen** wineries, the company was able to begin production of wines, which could bear price points comparable to the quality New World wines.

Within a project with the European Bank for reconstruction and Development, Barings Central European Fund and Baarsma Holding a new Blueridge winery was designed and finished in Sliven. The project has already consolidated **Domain Boyar's** position as Bulgaria's biggest wine producer and exporter.

In December 2000 the shareholders of **Domain Boyar** reached an agreement with the American company Seaboard Corporation, owner of another group of Bulgarian wineries.

- Foreign investor's name: **Boyar Estates SA, Boyar International Ltd**
- Bulgarian company's name - **Domain Boyar AD**
- % of foreign participation - 100%
- Size of the investment made (USD) - over 30 mln
- Number of employees, incl. new ones - 500 (75)
- Future business plans - new markets development, viticulture

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Nestle S.A

The world's largest food company, **Nestle S.A.** established itself as one of the leading investors in Eastern Europe and by the end of the 1990s the firm possessed twenty-three factories in the region. Despite the heavy cost of investment, this was a step in the right direction for the Swiss food producer and the increase in sales proved it. In 2000 alone, Nestle S.A. achieved sales growth of 18% in Eastern Europe, outperforming Western Europe tenfold and by far exceeding the corporate global average sales growth of 4.4%. Nestle's strategy to become the dominant food company in Eastern Europe has been carried out through acquiring major local producers, modernizing them and bringing them in line with the corporate standards. As a result of its strategy, Nestle overtook by storm the position of market leader in confectionery throughout Eastern Europe. Nestle S.A. entered the Bulgarian market in 1994 after the purchase of the largest confectionery plant in the country, located in the outskirts of the capital Sofia.

In June 1994 **Nestle Sofia AD** was established. The company produces tablets, boxed chocolates, wafers and biscuits. Its brands **Nestle Classic, Mura, Adventure, LZ, Taralejki, Jiten Dar** are well known on Bulgarian market and all products are appreciated by the Bulgarian consumers. For the last 7 years Nestle has invested in Bulgaria more than USD 30 Mio (excluding acquisition) renovating its manufacturing process, innovating its products, elaborating efficient marketing, distribution, controlling systems, developing effective experts and managers. Special attention has been paid to research and development process, as well as to the quality, environmental protection and safety issues. Utilizing the experienced local organization, since year 2000 Nestle Sofia expanded its activities into commercialisation of imported international Nestle products: *Nescafe, Nesquik, Maggi, Breakfast Cereals, Infant Nutrition*, etc.

Operating in the changing business environment in Bulgaria, the company has lived with all the difficulties of the transition period. Last year it already experienced drastic business growth and foresees this trend to be profitable and sustainable.

Contacts: **Nestle Sofia AD**
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Amylum Group

Amylum Group is a multinational organisation with over 120 years of experience. The Group is one of Europe's leading starch and cereal sweetener producers and has been a driving force in leading foreign direct investment to Central and Eastern European countries, including Hungary, Slovakia, Romania and Bulgaria. In 2000, Tate & Lyle PLC a world-leading producer of sugar, cereal sweeteners, starches and citric acid acquired the shares of Amylum, with which became its owner. For more than 80 years, the Tate & Lyle name has been respected throughout the world. Its brands and high quality ingredients add value to consumer products around the world and the Company has leading positions in many markets. Today, Tate & Lyle employs more than 17 500 people.

Amylum Group utilises over 3 million tones of corn and wheat per year as its raw material and provides employment for over 4 500 people in a variety of highly skilled functions. The Group center is in Aalst, Belgium, and its portfolio of production facilities spans 15 European countries, Asia and North Africa. The emerging market of more than 200 million consumers within the Southeast Europe whose purchasing power will grow over the next 15 years was among the key elements when decisions for investing in this region were taken. Consumers' standards and needs in terms of food industry products will only grow - hence assured long-term market for starch industry output. And last but not latest - the abundance of quality factor conditions, like human, raw material, etc. played its significant role in backing the investments of Amylum Group in the countries of the Southeast Europe.

Amylum Bulgaria AD is the first successfully privatised company in Bulgaria and was acquired by the **Amylum Group** in May 1993. Since then over USD 52 million have been invested in the Razgrad plant. Beginning with just over 100 employees in 1993, **Amylum Bulgaria** now employs 210 local staff in a variety of highly skilled functions. **Amylum Bulgaria AD** utilises maize for production of a wide range of starches, glucose syrups, crystalline and liquid dextrose, high fructose corn syrups (HFCS) and maltodextrins. The produce of the Company is applicable to different sectors of the industry, some of which are: Food and Beverages, Pharmaceuticals, Fermentation, Paper and Corrugated Board, Compound Feed Industry, etc. The facility is ISO 9002 and HCCP certified, and a new Safety campaign is carried out to make sure that safety is the Company's absolute First Priority.

The majority of the Company's production is sold within Bulgaria and throughout the Balkan market. Substantial volumes are also exported to a range of other destinations including Western Europe, the Far and Middle East, Africa and Asia.

The Company believes that reliability and innovation are key elements to being a successful supplier. The Company's focus is to build long-term relationships with its customers by concentrating on their needs, sharing their problems and providing effective and timely solutions.

Contacts: **Amylum Bulgaria AD**
7200 Razgrad
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Milk Way

Milk Way is a Joint Stock Company created entirely by investment of the United Bulgarian Bank. The company was established and started operation at the beginning of 1993. For less than two years **Milk Way JSC** earned a reputation on the Bulgarian market as one of the main producers of milk products with proved high quality. The main object of the activities of the company is buying and processing of fresh cow and sheep milk.

The primary products of the company are **cow milk kashkaval, cow milk white cheese, cow milk butter, sheep milk kashkaval, sheep milk white cheese, cream cheese, fresh cheese.**

The company possesses technological equipment with the capacity of processing about 100 tons daily and producing about 18 kinds of milk products. **Milk Way** uses technologies introduced into practice with the assistance of leading scientists in the field of milk processing.

The guaranteed high quality, together with the good design and proper packing is a basic task of a company for asserting its position on the local and foreign markets.

Aside from the local market, the milk products of the company are well accepted abroad, too. In 1995 and 1996 about 80% of the products of **Milk Way** were exported to countries from the European Union. For the last two years a big amount of the produce of Milk Way has been exported to Lebanon, Macedonia, Australia, Egypt, Poland.

The products of the company are winners at The International Fair Plovdiv - Gold medal 1997, 1998, 1999, and 2000.

Milk Way JSC has certified Quality Management System in compliance with the standard ISO 9002:1994.

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Bulgarian Yogurt Ltd.

Bulgarian Yogurt Ltd. was established in 1994.

Bulgarian Yogurt Ltd. is the first company in the Yambol region, producing fruit and strained yogurt. In year 2000 the company started producing - **Bulgarian Yogurt, pasteurized milk and yellow cheese**. The company has specialized in manufacturing white brine cheese of sheep milk since March 2001.

Bulgarian Yogurt Ltd. has also developed some products based on goat milk.

The company has an overall processing capacity of 13 tones raw milk per day.
It is equipped with modern technologies in compliance with the European standards.

In November 2001 Bulgarian Yogurt Ltd. received a license no. BG 3812003 for export of milk products to the European Union countries, being the fifth one in Bulgaria .

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BFIA CORE SERVICES

If you would like to expand your business to Bulgaria, the **Bulgarian Foreign Investment Agency** is the right partner for facilitating your company. We can assist you with:

- information related to potential joint ventures with both state-owned and private Bulgarian companies
- detailed information on current infrastructure investment projects and full details of all companies offered for privatisation
- co-ordination of inter-governmental support for priority projects
- macro-economic data on Bulgaria
- up to date information on existing foreign investors within Bulgaria and introductions to these investors, so that new investors can determine for themselves the success of existing investments in Bulgaria
- assistance with locating land or premises and determining the most appropriate form of investment
- match-making with potential suppliers and joint-venture partners
- information regarding the legal and fiscal systems in Bulgaria, as applied to investors.

Please, contact us as soon as possible to discuss how you can make your next investment project a success by investing in Bulgaria.

Food sector related contact information

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